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C O N F I D E N T I A L SECTION 01 OF 03 YEREVAN 001376

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TAGS: [PREL](#) [ETTC](#) [EFIN](#) [ENRG](#) [KNNP](#) [IR](#) [TU](#) [AM](#)

SUBJECT: RENEWING THE MESSAGE ON IRAN CONCERNS

REF: A. STATE 155764

- [¶B.](#) YEREVAN 1359
- [¶C.](#) YEREVAN 1325
- [¶D.](#) YEREVAN 1274

Classified By: CDA Joseph Pennington, reasons 1.4 (b, d)

[¶1.](#) (C) SUMMARY: CDA conveyed Ref A points to the Foreign Minister, Energy Minister, and presidential chief of staff, while A/DCM conveyed to senior staff of the prime minister (Ref B). All interlocutors insisted Armenia had no intention to build infrastructure capable of exporting Iranian gas through Armenia onward to Georgia or other markets. Our contacts were dismissive of the oil refinery proposal, characterizing it as in the realm of feel-good discussions, but not at this point anything like a serious initiative. The ministers each commented that Armenia is forced to have trade relations with Iran, in large part because of the closed border and bad relations with Turkey. END SUMMARY

FOREIGN MINISTER

[¶2.](#) (C) CDA and A/DCM called on FM Oskanian November 16 to deliver Ref A demarche. CDA explained that he was calling on the FM on instructions from Washington to raise our serious, ongoing concerns about Armenia's Iran relationship, especially in the wake of the visits of Iranian President Ahmadinejad and Defense Minister Najjar. CDA noted that former CDA Perina had sought an immediate readout from Oskanian (Ref D) on the Ahmadinejad visit and had registered some concerns at that time, but CDA was now in a position to offer an authoritative response from Washington. CDA presented U.S. concerns under three broad headings: general political engagement and optics, energy cooperation, and enforcement of financial sanctions, conveying the Ref A points.

[¶3.](#) (C) FM Oskanian responded that Yerevan State University's decision to award a gold medal and an honorary degree to the Iranian president was "stupid" and something for which he had also taken a lot of flack from Armenian Diaspora groups. He said that the MFA had had no advance knowledge of the plan to give the awards to Ahmadinejad, and he would have recommended against it had he known. On energy, Oskanian said that Armenia had no current plans to build new infrastructure capable of exporting Iranian gas beyond Armenia. He said, "This won't happen for at least the next ten years, and hopefully by then you guys will have managed to settle your difficulties with Iran." On the mooted oil refinery at the Armenian-Iranian border, Oskanian said so far it is at the "just talking" stage, and the project may never materialize, but anyway "your point is taken."

[¶4.](#) (C) On Bank Mellat, the FM asked if we expected the GOAM

to shut down Bank Mellat altogether, or just what we were asking. CDA said closure would be ideal, but we had asked the GOAM at the least to more closely monitor Bank Mellat and ensure that it was not being used to finance terrorism or further the activities of designated entities. Oskanian indicated that this could be done.

15. (C) Oskanian commented that Armenia's situation makes it impossible for Armenia not to have trade relations with Iran; things would be different if Armenia's Turkish border were open. He pointed out that just that week, Turkey had without warning or explanation closed its airspace to Armenia's flag airline Armavia's flights to Beirut and Aleppo. The air corridor was just about the only positive interaction Armenia had with Turkey, and now it seemed the GOT wanted to put an end to that. Meanwhile, Oskanian said, Georgia is perennially unstable with its fractious Russia relations. In this environment, Armenia had to preserve a viable trade channel through Iran. CDA said he understood Oskanian's frustration over the Turkish civil aviation authority's unexplained action, but conveyed our understanding from Embassy Ankara that was in the process of being reversed by the GOT. (NOTE: Indeed the civair problem was corrected by the evening of November 20. END NOTE) While we could appreciate the FM's point, CDA urged again that this relationship be kept to the minimum extent possible, taking due note of the broader international context and Armenia's obligations. Oskanian agreed.

ENERGY MINISTER

16. (C) CDA and EconOff called on Energy Minister Movsisyan November 19 to convey Ref A points, especially focusing on the energy issues. While we yet had reservations about the

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nearly-complete pipeline from Iran to central Armenia, the minister should understand that additional pipeline capacity that enabled Armenia to re-export Iranian gas onward would be a much bigger red flag for the U.S. and likely would trigger the Iran Sanctions Act. CDA said that a joint project to build an oil refinery on the Iran-Armenia border would also be quite worrisome and a potential sanctions concern.

17. (C) Movsisyan insisted that Armenia's energy cooperation with Iran was intended solely to diversify Armenia's energy supplies, since Armenia must constantly worry about the possibility that Russian gas supplied through Georgia might be cut off due to the ever-volatile Russian-Georgian relationship. He explained that all Armenia's energy cooperation projects represented a barter system, such as the seasonal electricity swap and the almost-complete small gas pipeline whose production Armenia would pay for with electricity exports. Movsisyan noted that Armenia had downscaled the Iran-Armenia pipeline; from the original proposal of a 5.6 billion cubic meter annual capacity, the project was reduced to just 2.3 bcm, or roughly Armenia's annual demand. (COMMENT: Movsisyan did not point out that the downsizing came after heavy pressure from Moscow -- in addition to U.S. concerns -- which does not appreciate the idea of Iranian competition for Gazprom in European markets. END COMMENT) Movsisyan noted that it is not technically possible to expand the capacity of the pipeline which is now almost complete. The possibility of onward export would require new pipelines (probably 10-15, he said, in order to ship a commercially significant quantity), which is not on the cards. His past public comments on this point had been to the effect that if European countries approached Armenia with such a proposal, he would certainly be prepared to listen, but Movsisyan said there are no such plans.

18. (C) On the Iran-Armenia-Russia joint project idea for an oil refinery, Movsisyan expressed doubt that it would ever be built. He commented that refineries are typically situated close to a seacoast or pipeline, and Armenia has neither. The

third-best option would be a railroad, which is less efficient than a either seaport or pipeline, an construction of this would add considerable cost to the proposal. Movsisyan did point out, however, that Armenia's supply of refined petroleum products remains problematic and expensive, with indirect and costly transit routes.

¶19. (C) Movsisyan lamented Armenia's poor political relations with Turkey, commenting that the two countries could enjoy considerable mutual benefits from electricity cooperation. He asserted that Turkey would be a much better partner for Armenia than Iran. He felt that Armenians and Turks could understand each other, culturally, while Iranians..."those people are just very different" he commented.

PRIME MINISTER'S AND PRESIDENTIAL STAFF

¶10. (C) CDA mentioned our Iran points during a conversation with the presidential chief of staff Armen Gevorgian on another matter. Gevorgian asserted that both Ukraine and Georgia had expressed interest in the past in purchasing Iranian gas through Armenia -- in both cases the GOAM had declined. While insisting that the Yerevan State University decision to award Ahmedinejad had been "completely independent," he noted that the Iran government provides significant financial support for the university's Oriental Studies Department. It would have been risky, therefore, for the university to have given Ahmadinejad short shrift. A/DCM also raised the points with two of the prime minister's key aides (reported Ref B), who echoed similar themes as above, if in less detail. We have confidence these messages would have been conveyed to the president and PM.

COMMENT

¶11. (C) Post believes it is important to continually remind our Armenian partners of our serious concerns about Iran engagement, and particularly about its obligations under UNSCRs and the risk of running afoul of U.S. sanctions. Given Armenia's geographic and economic situation, and perception of its own national interests, there is a limit to how much we will ever be able to curtail its activities with Iran. However, we also believe it is important to maintain a steady drumbeat on the issues over time. This has value partly because we can successfully influence Armenia's political behavior on the margins toward restraint, and often secure cooperation on narrow technical issues, such as explicit sanctions enforcement or financial monitoring. It is also valuable to ensure that we never "let up" as GOAM leaders show an unfortunate "wishful thinking" tendency to

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conclude we have given tacit approval of its Iran initiatives when we let these episodes go unanswered.

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